

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



Phone: (360) 725-7000

FILED

2006 OCT 25 P 12:39

DECLARATION OF MAILING

I declare under penalty of perjury
under the laws of the State of
Washington that on the date listed
below, I mailed or caused delivery
of a true copy of this document to
parties listed below
DATED this 25th day of October 2006
at Tumwater, Washington.

Signed: Wendy Galloway

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT

Fax: (360) 664-2782

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

Wendy Galloway
Paralegal
(360) 725-7002
wendyg@oic.wa.gov

In the Matter of the Application for Approval
of Proposed Merger of:

NO. G2006-56

RESPONSE INDEMNITY COMPANY OF
DELAWARE with and into
NATIONAL MERIT INSURANCE
COMPANY.

AMENDED
NOTICE OF HEARING

TO: Mory Katz, President, Chairman and CEO
Response Indemnity Company of Delaware
500 South Broad Street
Meriden, CT 06450

Mory Katz, President, Chairman and CEO
National Merit Insurance Company
3015 112th Avenue N.E., Suite 200
Bellevue, Washington 98004

David I. Schonbrun
Deputy General Counsel
Response Indemnity Company of Delaware
National Merit Insurance Company
500 South Broad Street
Meriden, CT 06450

August P. Alegi
Vice President, Secretary and General Counsel
Response Indemnity Company of Delaware
National Merit Insurance Company
500 South Broad Street
Meriden, CT 06450

AMENDED NOTICE OF HEARING

G2006-56

Page 2

George Kowalsky
Vice President and Treasurer
Response Indemnity Company of Delaware
National Merit Insurance Company
500 South Broad Street
Meriden, CT 06450

COPY TO: Mike Kreidler, Insurance Commissioner
Michael G. Watson, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Company Supervision Division
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Thomas P. Rowland, Staff Attorney, Legal Affairs Division
Ron Pastuch, Holding Company Manager, Company Supervision Division
Office of Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

The three purposes of this Amended Notice of Hearing is 1) to provide notification of the change of date of hearing in this matter from October 30, 2006 until November 13, 2006, together with corresponding change in deadline for submission of objections or other comments; and 2) change the name of the President of Response Indemnity Company of Delaware and National Merit Insurance Company from John Joseph Javaruski, who resigned effective August 25, 2006, to Mory Katz; 3) add David Schonbrun, Deputy General Counsel and Asst. Secretary as a contact person who will also represent Response Indemnity and National Merit. These changes are indicated by underlined writing below. Other than these three changes, the Notice of Hearing remains as originally entered on October 13, 2006.

Response Indemnity Company of Delaware (Response Indemnity) is a Delaware stock insurance corporation. The authorized capital stock of Response Indemnity consists of 30,000 shares of common stock, \$5000 par value per share, of which 200 are issued and outstanding as of August 15, 2006. National Merit Insurance Company (National Merit) is a domestic Washington stock insurance corporation, holding Washington Certificate of Authority No. 1278, NAIC No. 39004. The authorized capital stock of National Merit consists of 30,000 shares of common stock, \$100 par value per share, of which all 30,000 shares are issued and outstanding as of August 15, 2006.

Response Insurance Company, a Delaware stock insurance corporation, owns 100% of the stock of approximately 15 insurance corporations and insurance agencies, including both Response Indemnity and National Merit. Under the terms of the Agreement and Plan of Merger, the Boards of Directors of Response Indemnity and National Merit, and the Parent, Response Insurance Company, have agreed that it is advisable and in the best interests of Response

AMENDED NOTICE OF HEARING

G2006-56

Page 3

Indemnity and National Merit to merge Response Indemnity with and into National Merit, under the terms and conditions provided therein

By Application filed August 15, 2006, August F. Alegi, Vice President, General Counsel and Secretary of both Response Indemnity and National Merit, the companies have requested approval from the undersigned to merge, with National Merit emerging as the surviving entity.

Pursuant to RCW 48.31B.015(1) and (2), Response and National Merit have filed an Application for Approval of the Proposed Merger of Response Indemnity Company of Delaware into National Merit Insurance Company (Form "A" Statement Regarding the Merge), which shall be entered as evidence herein, which 1) includes substantial information and agreements concerning this proposed merger as required by RCW 48.31B.015(2) and in accordance with RCW 48.31B.020(3)(a); and which 2) includes information and agreements relative to the issues which must be the subject of findings pursuant to RCW 48.31B.015(4), all in the form of two application binders and one CD-ROM.

Pursuant to RCW 48.31B.015(4), the Insurance Commissioner shall approve a proposed merger involving a domestic insurer unless, after a public hearing thereon, it is found: i) that after the change of control, the domestic insurer would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed; ii) that the effect of the merger would be substantially to lessen competition in insurance in this state or tend to create a monopoly therein; iii) that the financial condition of an acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interests of its policyholders; iv) that the plans or proposals that the acquiring party has to liquidate the insurer, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest; v) that the competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger; or 6) that the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

YOU ARE HERBY NOTIFIED that a hearing will be held commencing at 9:00 a.m. Pacific Standard Time on Monday, November 13, 2006, in the Office of the Insurance Commissioner, 5000 Capitol Boulevard, Tumwater, Washington 98501, to consider the proposed merger of Response Indemnity Company of Delaware and National Merit Insurance Company, with the surviving entity proposed to be National Merit Insurance Company.

The hearing will be held under the authority granted the Insurance Commissioner by Chapter 48.04 RCW and RCW 48.31B.015, and shall have as its purpose consideration of the above identified criteria and entry of a final decision regarding approval of this proposed merger.

AMENDED NOTICE OF HEARING

G2006-56

Page 4

The Insurance Commissioner has not taken, and will not take, any position on this matter prior to entry of the Findings of Facts, Conclusions of Law and Final Order to be entered after hearing.

YOU ARE FURTHER NOTIFIED that all interested individuals and entities may submit comments on, or objections to, this proposed merger. Said comments or objections must be submitted by 5:00 p.m. Pacific Standard Time on Thursday, November 9, 2006, and will be carefully considered by the undersigned prior to making her final decision in this matter. Said comments or objections must be submitted to the undersigned by fax, U.S. Mail, personal delivery, or email.

The fax number of the undersigned is (360) 664-2782, her mailing address is PO Box 40255, Olympia, WA 98504-0255, her delivery address is 5000 Capitol Boulevard, Tumwater, Washington 98501, and her email address is PatricaP@oic.wa.gov. **Further, pursuant to RCW 48.31B.015(4)(b), any person who has an interest in this matter may appear at this proceeding and present evidence, examine and cross-examine witnesses, and offer oral and written arguments, and in connection therewith may conduct discovery proceedings as authorized by Title 34 RCW.**

Finally, all parties may participate in the hearing. They may examine witnesses and fully respond and present evidence and argument on all issues involved, as required by the Administrative Procedure Act. The hearing will be governed by the Administrative Procedure Act, Chapter 34.05 RCW, and the model rules of procedure contained in Chapter 10-08 WAC. A party who fails to attend or participate in any stage of the proceeding may be held in default in accordance with Chapter 34.05 RCW.

The Insurance Commissioner will appear pro se, by and through Tom Rowland of his Legal Affairs Division. He can be reached at (360) 725-7181. Response Indemnity and National Merit will be represented by **David Schonbrun, Deputy General Counsel and Asst. Secretary** and August Alegi, Vice President and Secretary. They can be reached at (203) 634-7246.

Based upon a delegation of authority from the Insurance Commissioner, the undersigned will conduct the hearing and will make the final decision and enter the final order relative to this matter without input from the Insurance Commissioner or his staff or any other individual who has knowledge of the issues here, except as will be presented as evidence in the hearing. Her address is Office of the Insurance Commissioner, P.O. Box 40255, Olympia, WA 98504-0255 and her telephone number is (360) 725-7105. All questions or concerns should be directed to Wendy Galloway, Paralegal to the undersigned, who may be reached at the telephone, e-mail and fax number specified above.

Pursuant to WAC 10-08-040(2) and in accordance with ch. 2.42 RCW, if a limited English-speaking or hearing impaired or speech impaired party or witness needs an interpreter, a qualified

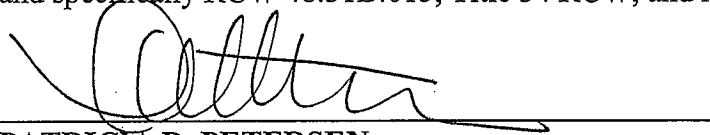
AMENDED NOTICE OF HEARING

G2006-56

Page 5

interpreter will be appointed. There will be no cost to the party or witness therefore, except as may be provided by ch. 2.42 RCW. Following this Notice is a form you may use to advise the Chief Hearing Officer of your need for an interpreter.

ENTERED at Olympia, Washington, this 25th day of October, 2006, pursuant to Title 48 RCW and specifically RCW 48.31B.015, Title 34 RCW, and regulations applicable thereto.

A handwritten signature in black ink, appearing to read 'Patricia D. Petersen', is written over a horizontal line.

PATRICIA D. PETERSEN

Presiding Officer

Chief Hearing Officer



OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT

Fax: (360) 664-2782

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

Wendy Galloway
Paralegal
(360) 725-7002
wendyg@oic.wa.gov

To request an interpreter, complete and mail this form to:

Chief Hearing Officer
Office of Insurance Commissioner
P.O. Box 40255
Olympia, Washington 98504-0255

REQUEST FOR INTERPRETER

I am a party or witness in Matter No. _____, before the Insurance Commissioner. I NEED AN INTERPRETER and request that one be furnished.

Please check the statements that apply to you:

☐ I am a non-English-speaking person. I cannot readily speak or understand the English language. My primary language is _____ (insert your primary language). I need an interpreter who can translate to and from the primary language and English.

☐ I am unable to readily understand or communicate the spoken English language because:

- ☐ I am deaf.
- ☐ I have an impairment of hearing.
- ☐ I have an impairment of speech.

[Please state below or on the reverse side any details which would assist the commissioner or presiding officer in arranging for a suitable interpreter, or in providing appropriate mechanical or electronic amplification, viewing, or communication equipment.]

Date: _____ Signed: _____

Please print or type your name: _____
Address: _____
Telephone: _____